

## PPSC Economics Chapter 10 Most Frequently Asked Economics MCQS

Sr	Questions	Answers Choice
1	If the autarky price of S were lower in country A than in country B, then if trade were allowed.	A. A would likely exports s to B B. A would likely import s from B C. Neither country would want to trade D. None of the above
2	In autarky when a community maximizes its standard of living its production points is.	A. Below the production possibility frontier B. On the production possibility frontier C. Above the production possibility frontier D. Can't tell without more information.
3	In autarky equilibrium.	A. Production equals consumption B. Export equal imports C. There is no trade D. All of the above
4	The term of trade is given by the process.	A. Paid for all goods exported by the home country B. Received for all goods exported by the home country C. Received for exports and paid for imports. D. Of primary product as opposed to manufactured products.
5	If a country has linear production possibilities frontier than production is said to be subject to.	A. constant opportunity costs B. Decreasing opportunity costs C. First increasing and the decreasing opportunity costs D. Increasing opportunity costs.
6	The asset market approach a more helpful in explaining.	A. why excahnge rates remain quite stable B. Why governments change their money supplies. C. Long term exchange rate movement. D. Short term exchange rate movement.
7	Starting from a position where the nation's money demand equals the money supply and its balance of payments is it equilibrium, economic theory suggest that the nation's balance of payments would more into a surplus position if there occurred in the nation a.	A. Decrease in the money supply B. Increase in the money supply C. Decrease in the money demand D. any of the above
8	The relation ship between the exchange rate and the prices of tradable goods is known as the.	A. Purchasing power parity theory B. Asset markets theory C. Monetary theory D. Balance of payments theory
9	Currency speculations is_____ if speculators bet against market forces that cause exchange functions, thus moderating such flucutations.	A. Destabilizing B. Stabilizing C. Inflationary D. Deflationary
10	Riskless transactions to take advantage of profit opportunities due to a price differential or a yield differential in excess of transaction costa are called	A. deferential actions B. Cash transactions, C. Arbitrage D. Forward transactions
11	Comparative advantage is determined by	A. Actual difference in labor productivity between countries. B. Relative difference in labor productivity between countries. C. both a and b D. Neither a and b
12	Absolute advantage is determined by.,	A. Actual difference in labor productivity between countries. B. Relative difference in labor productivity between countries. C. Both a and b D. Neither a and b

		D. neither a and b
13	In the classical model of Ricardo the direction of trade is determined by.	A. Absolute advantage B. Comparative advantage C. Physical advantage D. Which way the wind blows
14	The earliest statement of the principle of comparative advantage is associated with.	A. Adam Smith B. David Ricardo C. Eli Heckshcer D. Berti Ohlin
15	a nation with a current account deficit will be	A. Lending more money to other nations B. Experiencing a surplus in exports of goods and services. C. Reducing its indebtedness to other nations D. Going further into debt with other nations
16	International trade is based on the idea that.	A. Exports should exceed imports B. Imports should exceed exports C. Resources are more mobile internationally than are goods D. Resources are less mobile internationally than are goods.
17	International trade forces domestic firms to become more competitive in terms of.	A. The introduction of new products B. Product design and quantity C. Product price D. All of the above
18	International trade in goods and services is sometimes used as a substitute for all of the following except.	A. International movements of capital B. International movement of labor C. International movement of technology D. Domestic production of different goods and services
19	The central economic problem in an economy refers to.	A. The prevalence of unemployment B. To allocate scarce resources between competing uses. C. Consumers having less money than they would like D. ensure that production costs are converted by sales revenue.
20	If an economy experiences an increase in productivity it means that.	A. the level of output has risen B. Employees are working harder than before C. Output per unit of input has risen D. Technical change has taken place